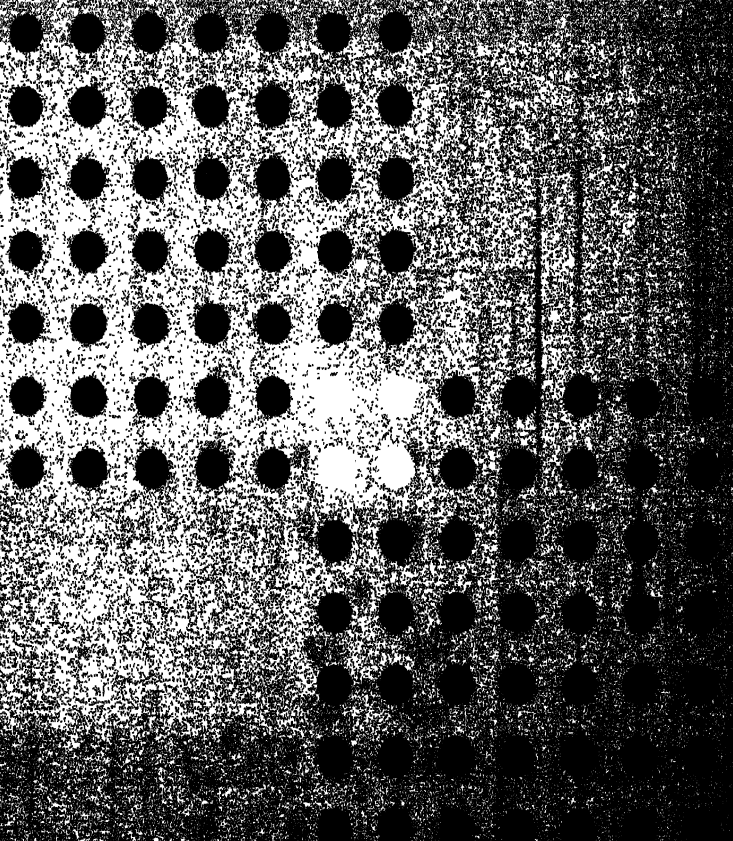


Organizations: Theory and Behavior

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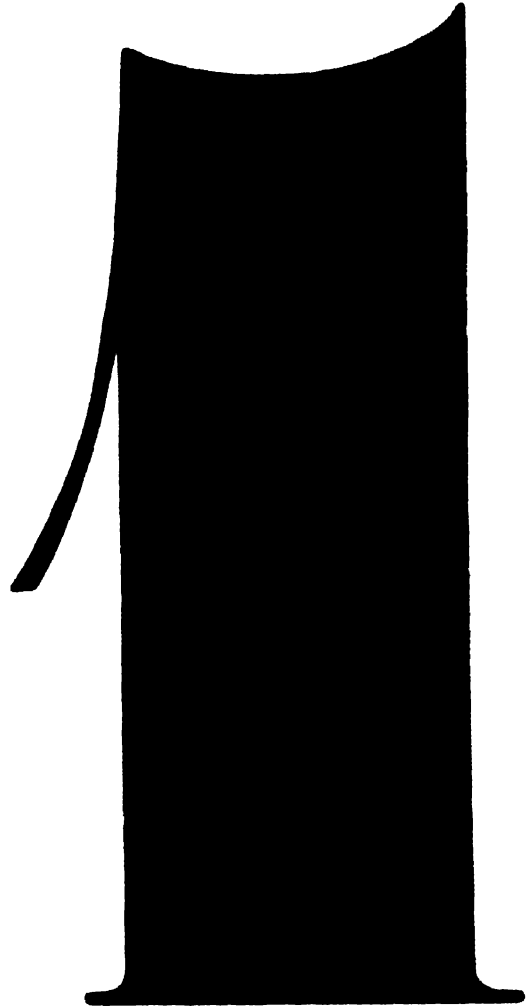
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Part



THE FORMATION
OF ORGANIZATIONS



THE STUDY OF ORGANIZATIONS— FOCUS AND PURPOSE

"Slowly men learned the value of working together and the meaning of co-operation. At first they helped only members of their own tribe, neither wondering nor caring what neighboring tribes were doing. Gradually they realized that if they all joined forces, they could accomplish far more. Slowly the idea of working with one's neighbors for the common good became widespread. Speed of transportation and communication now make all nations neighbors. Today no individual or nation can exist without the help of others."

Sigmund A. Lavine

This book is about organizations. It is about companies, armies, governments, churches, schools, clubs, teams, and car pools, all these are organizations. This book is a study of what organizations are, why they exist, and how they can be more effective. We hope that this study will make organizations increasingly valuable; better understanding of organizations might also reduce the threats they sometimes offer.

Persons working together—in organizations—often are efficient, powerful, productive, and rewarding. But organizations also sometimes produce frustration, oppression, and death. From another viewpoint, organizations and civilization are practically synonymous; without organizations civilization could not exist. Yet concern often has been voiced that persons through organizations will destroy that very civilization. Because of the profound importance and necessity of organizations, their study justifies serious attention.

Terminology used to describe important features of organizations has varied both in the literature and in practice. To gain initial perspective for this study of organizations, it may be helpful to examine several related terms. Organizing is the process by which the structure of an organization

is created and maintained. This process includes the determination of the specific activities that are necessary to accomplish the objectives of the organization, the grouping of those activities according to some logical pattern, and assignment of these grouped activities to a responsible position or person. Because these activities usually are done by a manager, organizing (together with other activities such as creating, planning, motivating, communicating, and controlling) is considered to be a function of management.¹ "Organization" is perhaps a broader term referring to the process of organizing, the structure of an organization, and the processes that occur within an organization. Inquiry about organizations often has been described as the study of organization theory or even the theory of organizations.²

This book focuses on the total process of organizations, including such questions as what they are, why they exist, and the processes by which they work. We have endeavored to provide explanations about organizations and the events that occur in them—explanations that are systematic and supported by evidence.³ The activities, structures, and other aspects of organizations are diverse and complex, but, fortunately, concepts that describe and that can assist us in dealing with that complexity are available. The study of both processes and structure of organizations is supportive of the recent shift in emphasis away somewhat from the study of management per se and more toward the study of things or processes (that is, organizations) with which the manager deals. This more recent perspective retains management as an important component of the broader subject of organizations.

THE COMPLEXITY OF ORGANIZATIONS

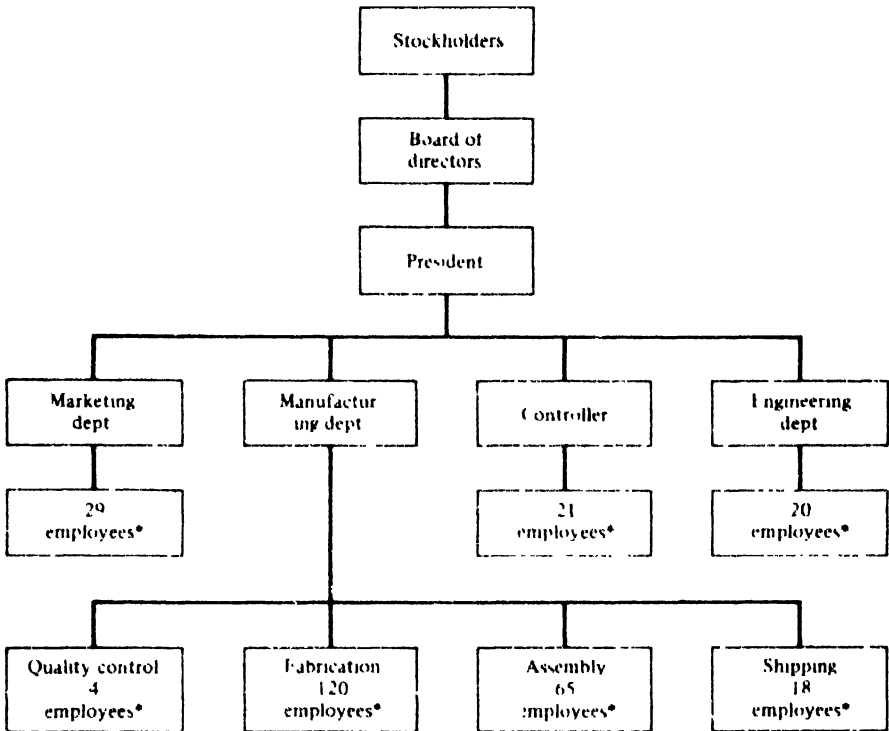
Organizations—and thus their study—can be extremely complex. For example, organizations can have both macro and micro aspects. A macro viewpoint considers an aggregate organization that has component (micro) parts. These parts can have objectives or other characteristics that are different from those of the macro system.

To illustrate partially the complexity of organizations, consider, for example, the manufacturing department of the Tapley Products Company, whose organization chart is shown as Figure 1-1. Is the manufacturing

¹ See, for example, Herbert G. Hicks, *The Management of Organizations: A Systems and Human Resources Approach*, 2d ed. McGraw-Hill, New York, 1972, especially chap. 17.

² For examples, James G. March and Herbert A. Simon, *Organizations*, Wiley, New York, 1958, pp. 4-5; William G. Scott, "Organization Theory: An Overview and an Appraisal," *Journal of the Academy of Management* Apr. 1961, p. 7; William G. Scott and Terence R. Mitchell, *Organization Theory: A Structural and Behavioral Analysis*, Irwin, Homewood, Ill., 1972.

³ Ernest Nagel, *The Structure of Science*, Harcourt, Brace and World, New York, 1961, p. 4. It is recognized, however, that not all the apparently valuable assertions made about organizations here or in other sources can be supported by rigorous scientific studies.



*Detailed organization structure of this unit is omitted.

FIGURE 1-1 Tapley Products Company organization chart

department a macro or a micro organization or unit? It is both. It is macro in relation to subordinate units (quality control, fabrication, assembly, shipping, and the subordinate units of these). The manufacturing department, on the other hand, is a micro unit of the entire company, the industry, the economy, et cetera.

The effects of this difference in perspective (viewing a given organization unit as macro compared with viewing it as micro, or vice versa) can be substantial—perhaps critical. Failure to understand this difference can lead to fallacies of composition, which often can produce serious descriptive and prescriptive distortions about organizational phenomena.⁴ As an example, suppose that Mr. Roth, a gifted engineer in the engineering department of Tapley Products Company, requested a 10 percent raise. He further said he would quit if he did not get it. Tapley might retain him by giving the raise; he might even thereby be motivated toward greater productivity. However, Mr. Roth's raise might have a disastrous effect if it destroyed the entire

⁴ Campbell R. McConnell, *Economics*, 5th ed., McGraw-Hill, New York, 1972, pp. 4-5.

salary structure of the company—if, for example, other equally qualified and productive engineers in the company did not receive similar raises. A prescription, if one limited himself only to immediate monetary effects and if he took a micro view (with Mr. Roth and his productivity as the unit of analysis) might be for the company to keep Mr. Roth by paying the additional 10 percent. When the viewpoint is shifted to the macro level (the engineering department or the whole company), the prescription for the same problem may become different. It might be decided not to give Mr. Roth a raise because of the dysfunctional effects of the breakdown of the overall salary structure on the larger organization.

As a second example, consider a union (a micro unit of a larger system) that secures a substantial wage increase for its members (also micro units). However, the long-run effects of the raise are nullified if all other costs in the economy (the macro unit) rise by the same percent as the wage increase negotiated by the union. It is for this reason that unions try to negotiate for automatic cost-of-living adjustments. As a minimum, union members have had a short-term advantage until other costs catch up.

Thousands of examples of conflict between the interests of micro and macro units can be seen. The point is significant—generalizations, descriptions, or prescriptions valid for a particular level of analysis may or may not be valid for another.⁵ In complex organizations there are many appropriate levels of analysis. In addition, there typically are a number of parallel units at each level. A comprehensive understanding of organizations requires an understanding of factors appropriate to each unit or level and of the interrelations of units and levels.

LEVELS OF ORGANIZATIONS

A number of levels of organizations can be identified. Figure 1-2 is an adaptation and extension of a classification of organizations developed by Kenneth E. Boulding.⁶

This book emphasizes the human organizations level in the study of organizations. However, all the other levels are involved, directly or indirectly, in the operations of human organizations. Therefore, an appreciation of all levels will give a more complete understanding of organizations.

To illustrate the involvement of all levels in a business organization, consider Agri-Chem Corporation that manufactures livestock pesticides and agricultural chemicals. The first level of organizations is present in all

⁵ Ibid. See also Daniel Katz and Robert L. Kahn, *The Social Psychology of Organizations*, Wiley, New York, 1966, pp. 9-12 for an excellent discussion of the micro-macro problem.

⁶ Kenneth E. Boulding, "General Systems Theory—The Skeleton of Science," *Management Science*, Apr., 1956, pp. 202-205.

FIGURE 1-2 Levels of Organization

| System level | Description or characterization | Examples |
|-------------------------|---|---|
| 1 Elemental interaction | Fundamental | Thoughts Chemical reactions |
| 2 Static structure | Normative or descriptive models of things, events, and concepts | Road maps Organization charts |
| 3 Simple dynamic | Predetermined or necessary motions | Clocks Standard operating procedures |
| 4 Cybernetic | Possess the ability to modify itself or seek or maintain a certain condition | Heating system with thermostatic control Management using standard cost control system |
| 5 Simple open | Simple self-maintenance with capacity to reproduce and ability to accept input, transform that input, and produce output | Germs Body cells |
| 6 Genetic-social | Division and specialization of labor among cells, each part or cell aggregation mutually dependent | Botanical plants |
| 7 Animal | Possess specialized information receivers (eyes, ears, nose), complex nervous systems, and a brain | Cats Dogs Horses Cows |
| 8 Human | Intelligence, self-reflexivity, time reference, adaptability, control of environment to a certain extent, toolmaking, language, and cultural heritage | Man |
| 9 Human organizations | Organizations of two or more people | Corporations Social clubs Athletic teams |
| 10 Transcendental | In pursuit of ultimate and perhaps illusive knowledge, truths, and aesthetics | Religious groups Philosophical orders |

events—the basis of everything that occurs—in Agri-Chem. The company organization chart is the second level or the static structure. The use of many machines in the manufacturing process illustrates the simple dynamic system, the third level. A special machine manufacturing a product with a desired acidity level that automatically measures the existing acidity and then, by itself, makes appropriate changes, if needed, illustrates the fourth or the cybernetic level. Agri-Chem's interest in organizations on the fifth, sixth, and seventh levels is shown when it makes products to kill fungi, weeds, and boll weevils. Persons working in the company are on the human and human organization levels. And the final transcendental level is involved when one seeks to understand the purpose(s) of the company.

Figure 1-3 illustrates the fact that broader systems contain lower-level systems. In this diagram the straight line represents the systems of the Agri-Chem Corporation. This line intersects all levels, showing that the

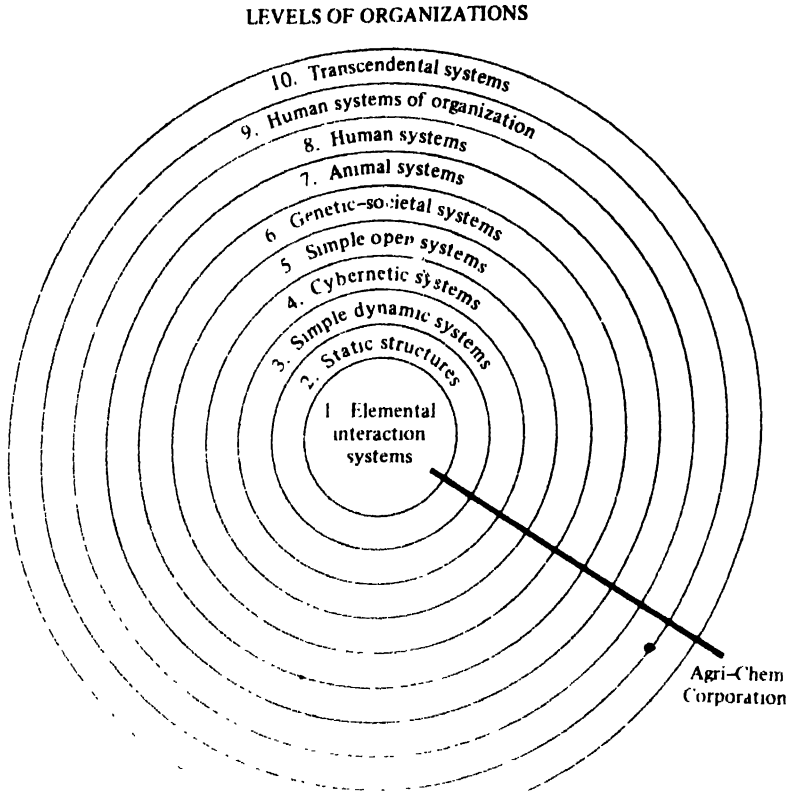


FIGURE 1-3 Every organization has many additional levels of organizations within it

activities of the company involve all levels of systems, as the examples above show. Not shown is the fact that company systems within a level can be extremely complex. For example, the human organizational system of the company might involve thousands of factors. Meaningful statements about the company can have reference to any level or combination of levels of the systems of the company.

RELATIONSHIPS IN ORGANIZATIONS

Organizations of lower forms of nature may be accidental, parasitic, one-way, and mutualistic. To these we add one more category—transcendental—to categorize human organizations.⁷ Each of these five terms will be used to describe relationships in both human and nonhuman organizations.

⁷ The transcendental classification essentially is synonymous with synergistic. Synergistic is descriptive of the characteristic of human organizations where their outputs often are greater than the sum of their inputs

Accidental

An accidental organization (or association) is one in which no participant deliberately associates with another.⁸ Yet from such associations benefit often accrues to at least one participant. Nature is replete with examples of effective accidental organizations. A bird is protected from many of its enemies if it accidentally builds its nest close to a wasp's nest. Insects that have been scared out of the treetops by noisy monkeys may provide an accidental but welcome meal for parrots flying by.

A man who happened (without planning the association) to walk down the street of a crime-riddled neighborhood at the same time as a policeman provides an example. The man is less likely to be robbed or hurt by assailants because of his association with the policeman, which occurred merely by accident.

Accidental organizations also occur in business firms. An example is an executive of a clothing manufacturing firm who gets an idea for a new garment from overhearing secretaries chatting at the water fountain.

Parasitic

A parasitic relationship exists when one gains from an association at the expense of another.⁹ A flea derives his nourishment at the expense of his dog host. Infectious diseases often are caused by parasites.

Parasitic relationships can also occur on a human organization level.¹⁰ An organizational parasite is one who as a matter of policy receives support, advantage, or the like from another or others without proper return. A parasitic person is known as a sybarite, favorite, toady, lickspit, boot-licker, hanger-on, leech, or sponger.

Industrial organizations exhibit many parasitic relationships. For example, featherbedding—being paid more than one's work is worth—is parasitic whether it occurs in the union shop or in the executive suite. Relationships where work is extracted for less than appropriate pay also are parasitic. Perhaps those captains of industry who oppressively exploited their workers during the industrial revolution were parasitic in this sense. Another parasitic relationship can be demonstrated by firms which illegally conspire to form a monopoly and possibly charge unreasonable prices to customers.

Because a parasitic relationship is exploitive of at least one party, it

⁸ It might well be questioned whether these associations ought to be called organizations. We recognize this point, but accidental organizations have been included here because they seem to be a useful lower limit for defining organizations.

⁹ Cf. Robert Len Smith, *Ecology and Field Biology*, Harper & Row, New York, 1966, pp. 399-402.

¹⁰ *Ibid.* pp. 401-402.

often can be criticized on moral or ethical grounds. Nevertheless, such relationships are quite prevalent in organizations; perhaps a worthy objective is to work for their change to higher-level relationships.

One-Way

In the one-way relationship one party benefits without harming or helping the other. The one benefited is indifferently tolerated by the one providing the benefit. Here the relationship is deliberate at least on the part of the benefited one, whereas in the accidental relationship no such deliberateness is present.

"The cattle egret [bird] walks in the wake of the rhino, feeding on insects stirred up by its massive tread—but renders no service in return."¹¹ A similar relationship exists between a shark and the striped pilot fish that swim just ahead of and feast on the kills of the shark. The tolerant shark by its mere presence protects the pilot fish from other predators. It is not known why the shark fails to eat the pilot fish. Perhaps they are distasteful.

The business organization that goes about its normal business while permitting itself to be observed by a student researcher offers an example of a one-way relationship in human organizations. If the firm expected no benefit from the association, then the relationship is one-way. The paper firm that allows anyone to hunt on its woodlands is another example. However, if the paper firm wanted thereby to improve its public relations, the association would be mutualistic rather than one-way. For the association to be one-way, the firm must be indifferent to the presence of the hunters.

Mutualistic

In a mutualistic organization the association is deliberate (although not necessarily conscious) on the part of all parties. All parties also expect to benefit from the organization. The participants mutually contribute to the well-being of each other.

Relationships in nature often are mutualistic, or mutually beneficial. For example, the plover bird gets food by picking leeches from inside the mouth of a cooperative crocodile, who thereby gets rid of the objectionable leeches.

Many business organizations are mutualistic—as when two companies do business with each other, both expecting to make a profit. Likewise, the prevalent contractual relationship where an employee agrees to sell a certain quantity of his time and efforts to an employer for pay is mutualistic. This situation was illustrated in a help-wanted advertisement in a newspaper that read: "We will swap permanent employment; liberal benefits;

¹¹ Editors of *Life* and Lincoln Barnett, *The Wonders of Life*, Time Incorporated, New York, 1960, p. 228

friendly, pressure-free working environment; periodic pay increases; and chance for advancement for experienced, qualified sales help."

Transcendental

The highest quality organization is transcendental. A transcendental organization also is mutualistic, but it goes beyond the typical limited scope of mutualism. The frequent spectacle where unions and management are involved in conflict over how the firm's resources, seen as fixed, will be divided is mutualistic. The relationship would become transcendental if all parties would become more concerned with the higher intrinsic essence of their relationship; that is if everyone worked to achieve his or her highest possible productivity, in whatever terms it is measured. In contrast to a strict mutualistic relationship where both sides often are interested in how a certain-sized "pie" of resources will be divided, the participants in a transcendental relationship would be more interested in how each can make a bigger pie. There would be concern for the intrinsic purpose of the organization—efficient production for the sake of productivity or skills involved, learning for the sake of knowledge or mental exercise, et cetera. In addition, all organization members would be interested in how they could benefit persons outside the organization. A student's relationship with his teacher becomes transcendental when both are more interested in the excitement of the subject matter than they are in grades.

Here is an example of what a transcendental relationship is *not*. In commenting on the promotion of a policeman to chief, a mayor was quoted as saying, "Those who follow work in the police department as a career and work for years can know that it finally pays off [in promotion]."¹² The manager who produces primarily to be promoted to president of his company also fails to work on the transcendental level.

At the transcendental level one may be more interested in the process (doing work, for example) than he is in the product (the external [to him] results of his work). The two orientations have been described as the seeking of intrinsic compared with extrinsic rewards.¹³ Modern behavioral theory holds that extrinsic dimensions (pay, working conditions) generally are satisfied if one is intrinsically motivated. On the other hand, intrinsic rewards do not so often spring from an extrinsic orientation.

In transcendental organizations the individual benefits himself and the organization with the same acts. Transcendental organizations share

¹² *Baton Rouge Morning Advocate*, July 16, 1968 p. 1

¹³ See Douglas McGregor, *The Professional Manager*, McGraw-Hill, New York 1967, pp. 72, 99, 104, 126-128, 161.

this characteristic with mutualistic ones, but the transcendental ones have potentially higher levels of satisfactions. Maslow saw transcendental organizations as going beyond ". . . the polarity between selfishness and unselfishness, between self-interest and altruism, in which the person who is simply being selfish necessarily benefits other people, and in which the person who tries to be beneficial to others necessarily reaps rewards for himself"¹⁴ According to Maslow a transcendental organization "is one in which virtue pays."¹⁵ In such organizations a person acts in such ways so that his advantage will also be others' advantage rather than his advantage being others' disadvantage.¹⁶ Maslow further explained transcendence with the example of a parent-child relationship: ". . . what is good for my child is good for me, what is good for me is good for my child, what gives the child pleasure gives me pleasure, what gives me pleasure gives the child pleasure, and all the lines of difference fall. . . "¹⁷ The same principles hold in man-man and man-organizational relationships in business and other transcendental organizations. Paraphrasing Maslow, in a transcendental company what is good for my company is good for me, what is good for me is good for my company, and all the lines of difference fall. This is the level of self-actualization or self-realization.

Achieving transcendental organizations offers a great challenge. The advantages are great, but transcendental organizations require exceedingly high degrees of personal honesty, responsibility, consciousness, and other dimensions of maturity. To be on the transcendental level one must appreciate the fact that pouring an ordinary slab of concrete possibly can be a more satisfying experience to the workmen involved than being president of the company is to the one in that post. Until such concepts are accepted, organizations will be less than transcendental.

FUNCTIONAL RELATIONSHIPS

The valuable resources, abilities, or characteristics that persons offer to organizations provide another dimension for analysis. These are combined in functional relationships in organizations. Organizations benefit from the participants' supplementary similarities, complementary differences, or combinations of the two.¹⁸

¹⁴ Abraham H. Maslow, 'Synergy in the Society and in the Individual,' *Journal of Individual Psychology*, Nov. 1964, p. 156, Abraham H. Maslow, 'Further Notes on the Psychology of Being: Notes on Synergy, Resolution and Transcendence of Dichotomies,' *Journal of Humanistic Psychology*, spring, 1964, pp. 45-58. For other uses of the term synergy in describing business organizations, see *Harvard Business Review*, Nov.-Dec., 1967, pp. 27-29, James C. Van Horne, *Financial Management and Policy*, Prentice-Hall, Englewood Cliffs, N.J., 1968, p. 475.

¹⁵ Maslow, 'Further Notes on the Psychology of Being,' op. cit., p. 55.

¹⁶ Maslow, 'Synergy in the Society and in the Individual,' op. cit., p. 162.

¹⁷ Maslow, 'Further Notes on the Psychology of Being,' op. cit., p. 46.

¹⁸ *International Encyclopedia of the Social Sciences*, op. cit., pp. 331-332.

Supplementary Similarities

Many organizations benefit from the addition of the supplementary similarities of members. In this relationship the organizational effect is the sum of the homogeneous efforts of members. For example, assume it is desired to lift a machine weighing 300 pounds. Smith and Jones work together to lift the machine; Smith lifts 160 pounds, and Jones lifts 140 pounds. They in their organization—based on the numerical addition of their homogeneous efforts—thus successfully lift the machine. Each produced the same qualitative units of effect (pounds of lift), but Smith lifted 20 pounds more than Jones. (This fact raises numerous interesting questions about the appropriate benefit that should accrue to each. For example, should Smith be paid more than Jones?)

Examples of other organizations based on supplementary similarities are numerous. An army rifle company with fifty riflemen, a ditch-digging crew with ten similarly occupied men, and twenty door-to-door salesmen in a city selling identical products are but a few of the many such organizations.

Complementary Differences

More sophisticated organizations require different resources from members. To construct a modern building the organized complementary differences of engineers, architects, plumbers, concrete finishers, and many others are required. Similarly, an automobile assembly line uses the different but complementary efforts of many persons.

In another activity a soprano and a tenor combine (perhaps also with a pianist) to create a duet. Neither can do it alone; the objectives of the organization can be accomplished only by successfully employing the complementary, different abilities of persons. Modern industrial organizations use the same principle when they benefit from the effective coordination of the different and complementary abilities of thousands of employees.

Combinations

Complex organizations, such as industrial firms, employ both the supplementary similarities and the complementary differences of members. For example, an electronic computer may require 100 identical assemblies made by twenty assemblers. This work illustrates the organization's use of the principle of supplementary similarities because all twenty workers are doing homogeneous work; their total effect is merely the arithmetic sum of their individual production.

To design and manufacture the many required parts of the computer also requires the abilities of many persons—physicists, engineers, elec-

tronic technicians, and so forth. Additionally, other talents and efforts are required to sell, install, and maintain the computer. Thus the same organization employs both supplementary similarities and complementary differences of its members. This combination is typical in large organizations.

THE STUDY OF ORGANIZATIONS IN PERSPECTIVE

Considering all areas of knowledge, there are at least fifty recognized fields of study (psychology, philosophy, physics, business administration, et cetera).¹⁹ How many have organizations as subject matter? All do. Every field's scope of interest is described by one or more of the ten levels of organizations described earlier in this chapter. Thus, in the broadest sense, the study of organizations is universal; all fields of inquiry are to some degree relevant.

The study of organizations is in one sense universal, but the scope must be limited to study the subject in adequate depth. Thus, this book emphasizes human organizations—the ninth level in Figure 1-2. The other levels will be considered when they can assist in understanding human organizations.

Attention is devoted in this text to concepts and techniques that are particularly relevant for students or managers of business organizations. With these business students and managers in mind, illustrative examples throughout the book will be drawn largely from business organizations. Nevertheless, many of the ideas presented herein are relevant for other organizations because organizations, whatever their objectives or form, have many similar characteristics.

In recent years, students of organizations have gained valuable knowledge from a number of diverse fields. Figure 1-4 is a tabulation of a number of such fields, including some major topics of particular interest within the fields. Many additional areas could be added. For examples, biological theories of evolution and cultural inertia anthropological concepts provide valuable insight into organizations. Each person making such a list would no doubt produce a different one. But any comprehensive listing will be broad and contain many items. The objective here is not to explain each of these areas; this listing is given merely to show the breadth of the study of organizations. The fields listed in Figure 1-4 are not necessarily mutually exclusive nor all-inclusive, but they illustrate that the study of organizations is extremely broad.

The study of organizations is an integrative discipline that includes relevant concepts and techniques developed in many other disciplines. The

¹⁹ With the aid of a university catalog, one of the authors listed fifty fields within ten minutes. Many more fields could be listed if more subspecialties of the broader disciplines were counted separately.

FIGURE 1-4 Fields Contributing to the Study of Organizations

| | |
|--------------------------------------|----------------------------------|
| Anthropology | Philosophy |
| Cultural dynamics | Ethical principles |
| Organization theory | Aesthetic principles |
| Status symbols | Principles of logic |
| Ethnic relations | Principles of semantics |
| Biology | Physics |
| Organization theory | Gravitation theory |
| Viability | Political Science |
| Homeostasis | Administrative law |
| Business Administration | Administrative theory |
| Accounting | Trade regulations and practices |
| Managerial finance | Authoritarianism |
| Industrial management | Organization theory |
| Personnel management | Bureaucracy |
| Theory of organizations | Psychology |
| Economic theory | Aptitude analysis |
| Labor economics | Personality analysis |
| International economics | Scaling techniques |
| Statistics | Organization theory |
| Industrial relations | Senses and sensation |
| Operations research | Projective techniques |
| Management science | Learning theory |
| Marketing | Motivational analysis |
| Ecology and Geography | Perception and sensation |
| Location theory | Rationality |
| Nucleation | Sociology |
| Environmental adaptation | Interpersonal relations |
| Dispersion processes | Morale |
| Spatial forces | Class behavioral patterns |
| Mathematics | Role and status |
| Information theory | Class stimuli |
| Stochastic processes | Innovation and change |
| Set theory | Organization theory |
| Descriptive and inductive statistics | Primary group behavior |
| Theory of games | Small-group activity |
| Decision making | Environmental influences |
| Probability theory | Public opinion |
| Linear programming | Sociometry |
| | Formal organization |
| | Social change |
| | Group surveys and testing |
| | Social stratification and values |
| | Social institutions |

Source: Adapted from David L. Huff and Joseph W. McGuire, "The Interdisciplinary Approach to the Study of Business," *University of Washington Business Review*, June, 1980, pp. 50-51.

integration is more than a mere collection of knowledge from other fields; the integration itself produces additional valuable concepts and techniques. Further, researchers within the field of organizations have made and can be expected to continue to make valuable contributions.

SUMMARY

Man and his organizations are inextricably interwoven. It is difficult to think of one without the other. Man does much of his work in and enjoys

great benefits from organizations. His very being has been influenced in large measure by organizations. Yet man and his organizations often fall far short of their potential attainments. It is hoped that further understanding of the nature and dynamics of organizations will offer improvement.

The complexity of organizations and the implied frequent fallacies of composition make universal prescriptions for organizations extremely hazardous. Managers and other policy makers should be flexible enough to consider both micro and macro aspects of their organizations as part of the general objective of reaching the potential of organizations.

Many characteristics of man's organizations are shared with the organizations of other living beings at various levels of organization. For example, man—like lower forms of life—lives in complex patterns of interdependency. The study of such complex systems and interrelationships offers many opportunities for understanding organizations better. The study of all organizations in depth would be too broad, so this book emphasizes the study of human organizations.

There are a number of possible relationships in organizations, including accidental, parasitic, one-way, mutualistic, and transcendental relationships. Mutualistic and transcendental are particularly relevant for studying human organizations. Mutualistic describes the typical employer-employee relationship from which everyone expects to benefit. Transcendental describes the high-level relationship where one is self-fulfilled and identifies with organizational objectives.

Successful organizations imply the well-coordinated efforts of two or more persons. These persons may enhance each other's abilities by the addition of their supplemental similarities or their complementary differences. Modern, complex organizations generally employ both.

Knowledge about organizations has been developed in many areas of study. From this bringing together of knowledge, from the yield of the integration itself, and from the work of those studying organizations, the analysis of organizations is developing as a distinctive field of study.

REVIEW AND DISCUSSION TOPICS

1. Select a field of study. Through library research, determine a number of contributions of that field to the study of organizations.
2. Analyze the statement, paraphrased from Russell L. Ackoff: "It is clear that reality is not divided into neat packages conforming to university departments."
3. Describe several situations not in the text that illustrate the micro and macro aspects of organizations. Explain, with examples, specifically how

certain prescriptions appropriate to a given level(s) might not be best for other levels.

4. Select a business firm about which you have some personal knowledge. With an example for each level, show how the activities of the firm involve all ten levels of organizations as described in the chapter.
5. Diagram a human organizational system for one of the following: (a) refining gasoline, (b) selling watermelons, (c) manufacturing telephones, (d) higher education, (e) building a highway, (f) fighting a war, or (g) making a bolt
6. Describe two examples (not found in the text) of each of the following relationships in human organizations: accidental, parasitic, one-way, mutualistic, and transcendental. Explain the comparative advantages of mutualistic and transcendental organizations.
7. Explain, including examples, the difference between human organizations based on supplementary similarities and those based on complementary differences. Is one inherently better than the other? Why?
8. Using library research, write a paper (length as assigned by your instructor) on one of the following topics as it relates to the study of human organizations: synergy, competition, cooperation, competitive cooperation, transcendence, mutualism, or parasitism.
9. Students of the history and development of man (for examples, anthropologists and biologists) assert that man has achieved virtual mastery over all other forms of life. In addition, medical technology and social customs (e.g., welfare payments) appear to offer many opportunities to man for substantially determining his own development. Explain some issues pertinent to organizations that are raised by these considerations.

CASES

Case 1

Senator Uris was a long-time advocate of reducing waste in the government's operations. He had in his career exposed numerous examples of corruption and waste in governmental units. Yet each year he worked vigorously to gain approval for his state of "pork barrel" projects of extremely dubious merit.

1. Explain the rationality of the senator's action, using a micro-macro analysis. What, if any, inconsistencies are present?
2. Is this sort of problem typical in complex organizations? Explain.
3. What are your suggestions for improving this sort of situation? Are your suggestions practical?

Case 2

Following is part of a newspaper report of a speech given by the chairman of a state commission set up to investigate racketeering in the labor-management field:

"How are you going to get to the basic philosophical problems?" he asked. "It's hard for members to represent their interests and come out with something good for the public. The public members are blocked by the special interests."

"Generally," Dean Morgan said, "there is agreement that the contractual practices between labor and management are proper, but the practices that developed outside the contracts were the bone of contention that resulted in a complete shutdown of all construction work here about a year ago."

"A basic problem," he said, "was the labor shortage of certain skills and crafts, but that wasn't the whole thing," he added.

"A lot of contractors," he said, "were involved in featherbedding, which is theft—ordinary stealing. So, the management people were just as guilty as the labor people," he declared.

As examples, he cited a contractor calling for twenty skilled workmen and the union saying it couldn't provide twenty, but could provide forty. If the contractor refused the forty, the workmen were sent to other projects, so forty were hired.

"And," he said, "it didn't matter whether it was a hard money contract or a cost-plus contract, that excess labor sent the costs of labor on construction projects in this area skyrocketing. Contractors who charged it off to the management may not have been hurt as much as those who had to absorb the costs and lose money on a project and thus swear off doing business in [the state]."

"Management," he said, "was in the pinch and felt it had to give in. But Dean Morgan—a long time attorney for Standard Oil before his five years as a law school dean—cautioned that such conspiracy between labor and management is a direct violation of the Hobbs Act."

"And," he cautioned the business executives at the dinner meeting Wednesday night, "there's only one answer to it: don't submit yourself to blackmail. If you do, you haven't won, you've lost." The audience applauded.

1. Explain the conflicts among persons and organizations illustrated by the newspaper excerpt. What are the bases of the conflict?
2. In your opinion, is the dean justified in charging management with featherbedding? Explain.
3. Explain how you would resolve the difficulties described in the case.

Case 3

Consider the following information about India: (a) The population is over 550 million and is increasing rapidly. (b) Parents seek to have a large number of children, in part because they see children as being an important way of having some economic security in old age. (c) Several hundred million cattle roam freely, eating much of the crops. The cattle are considered by many to be sacred. (d) Each year many Indians starve to death.

1. Describe the problems of this case, using a multi-level analysis.

2. What are your solutions? Explain the advantages and limitations of your solutions.
3. Why have traditional methods of solving such problems been of limited effectiveness?

Case 4

Layton Specialties, Inc., had an assembly plant employing 400 persons in Peltto City. Across the street was the Blade Brothers plant, which had about 300 employees. Both plants always had worked a single 8:00 A.M. to 4:30 P.M. shift. Through the years, as the city grew around the plants, traffic congestion had worsened to the point that the typical employee of both plants spent ten minutes each morning and afternoon in a traffic jam.

After receiving numerous complaints from citizens, the mayor of Peltto City requested that Frank Scott and Joe Lipsey, the managers of the two plants, schedule their plants on staggered shifts. The managers did so, agreeing that Layton would start and stop one-half hour earlier than before and that Blade would continue on the old schedule.

Traffic congestion was indeed lessened after the new plan was put into effect. However, Mr. Scott and Mr. Lipsey received numerous complaints forwarded through union shop representatives about the new plan. Apparently many car pools with members (in the same pools) from both companies were broken up as a result of the agreement. Some of these had been in existence for fifteen years. Other car pools were severely stressed. Following are some specific complaints: Parking space in the company lots became inadequate because more cars were driven to work. Some workers complained that their transportation costs and gasoline requirements had risen when the number of members in their old car pools was reduced. Some workers who lived far away kept their old car pools, but complained about the extra waiting they had to do in the morning and/or afternoon.

1. Analyze the case from the standpoint of the many levels of interest and the resulting conflicts.
2. Suggest solutions, explaining how your solutions affect the several levels of organizations involved in the case. Is a "perfect" solution possible? Why?

Case 5

Baxter Industries had employed Ken Baxter, the president's son, during the summer months. Ken, who was between his sophomore and junior years in engineering school, was paid \$750 per month. Ken worked as a helper in a maintenance crew. Regular employees who did the same work as Ken received \$350 per month.

The company had a profit-sharing plan whereby employees received one-half of all profits over a certain amount. When the workers learned of

Ken's salary, they appointed a committee to request the president not to charge \$400 of Ken's monthly salary in determining company profits to be shared. Jayson Baxter, the president, became enraged at the suggestion and threatened to cancel the entire profit-sharing plan, claiming that the plan was a gift of the company.

1. In terms of the basic organizational relationships discussed in the chapter (parasitic, mutualistic, et cetera) analyze the relationships between Ken and the employees, Ken and his father, the employees and the company, Ken and the company, Jayson Baxter and the employees, and so forth.
2. Do you agree with Jayson Baxter's reaction? Why?
3. Is there evidence of transcendental relationships in the case? Explain.

Case 6

During World War II, Excel Petroleum Company hired thousands of unneeded employees as a hedge against anticipated manpower shortages. Although these employees were never needed, they were retained. Some even proved untrainable for the work of the firm. But the company had promised career tenure to all its employees.

No significant action was taken until 1961, when for the first time since the 1930s profits of the firm were unsatisfactory. In 1961 the advent of the compact car caused the demand for gasoline to stop its long-term increase, with resulting significant reductions in Excel's profits.

In 1961 to cut costs Excel announced an immediate 10 percent reduction in its work force. Productive capabilities were not affected, but the results of the company's action spread throughout the community.

1. Analyze, using the categories explained in the chapter, the basic organizational relationships in the case.
2. Do you think Excel's policies were wise? Explain.
3. In what different ways could the problems have been handled? Evaluate each proposal.

Case 7

Northern Mountain Railroad began operating its first diesel locomotive in the early 1930s. By 1960 all of its steam locomotives had been retired and replaced with diesels. Traditionally and in accordance with union agreements, the crew of a diesel locomotive included a fireman. Management alleged (officially, for the first time) in 1960 that the fireman was not needed and that his presence in the crew was featherbedding. On April 14, Northern published a notice that firemen would no longer be employed since their work was not needed. The effective date was to be June 30, when the

railroad's contract with the firemen's union expired. The other union employees of the railroad immediately served notice of their intention to strike if the railroad discharged the firemen. Mr. Strunk, the railroad's president pondered his next move.

1. What should Mr. Strunk do? Explain your proposal.
2. In what ways has the company contributed to its current problems?
3. How have the union and firemen contributed to the current problem?
4. Could such problems largely be prevented? Explain.

FURTHER READINGS

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INDIVIDUALS AND ORGANIZATIONS

Whose interests does an organization serve?

Bertram M. Gross

Why do individuals form or join organizations? For money, prestige, or challenging work? Any or all of these answers might be correct in a particular case. There are countless reasons for organizational membership.

To generalize, however, we might say that persons join organizations to satisfy their personal objectives.¹ They find that organizations allow them to achieve goals that they cannot achieve alone.

THE IMPORTANCE OF INDIVIDUAL OBJECTIVES

A clear understanding of the objectives of individuals is thus essential to an understanding of organizations. An organization is formed as the result of individuals trying to achieve their personal objectives. The organization is the vehicle for this achievement. Those who join an existing organization also are trying to achieve personal goals through their association with the organization.

Just as land, labor, and capital are factors of production, so are organi-

¹ This discussion treats objectives and goals as synonymous

zations. Like these other three factors of production, organizations also create value.² Organizations give individuals the ability to accomplish many things, including personal goals, that would be difficult or impossible to accomplish without organized activity.

In turn, individuals are expected to make certain contributions to the organization. Time, talent, effort, and money are some of the contributions that persons may be expected to contribute.

The Exchange Relationship

How satisfactory this relationship will be depends largely on the satisfaction of objectives. How well the individual's objectives are satisfied will determine his perception of the relationship. In turn, how well he helps to meet organizational objectives will largely determine his future in the organization.

In essence, an exchange relationship exists between the individual and the organization.³ The individual expects his rewards to exceed the demands made upon him. At the same time, the organization expects the individual's contribution to outweigh the costs of keeping him in the organization. Figure 2-1 illustrates a successful exchange relationship.

In a successful relationship both the individual and the organization perceive the benefits of the association outweighing its costs. This phenomenon has been described as the synergistic effect of organizations.⁴ Synergy occurs when the organization's output is different in quality or quantity from the sum of the inputs.

The sum of two plus two in ordinary arithmetic is always four. But in "organizational arithmetic" the sum can well be a larger number. In slightly different terms, the whole (organizational outputs) can be greater than the sum of the parts (organizational inputs).

As an illustration of this process, consider Harry Abrams, a skilled accountant for a large hospital. Harry receives several rewards from his job. He earns a competitive salary, works in pleasant surroundings, has a good relationship with his supervisor and his co-workers, and is challenged by his work and proud of his contributions to the hospital's success. He contributes his time, effort, and skill in return for these satisfactions. Harry perceives his rewards as greater than the claims made upon him. Thus the algebraic sum of rewards and claims is greater than zero. Figure 2-2 illustrates Harry's perception of the relationship.

² See Herbert G. Hicks, *The Management of Organizations: A Systems and Human Resources Approach*, 2d ed., McGraw-Hill, New York, 1972, p. 13.

³ Peter M. Blau, *Exchange and Power*, New York, Wiley, 1964.

⁴ Hicks, loc. cit.

**A SUCCESSFUL EXCHANGE RELATIONSHIP
BETWEEN AN ORGANIZATION AND ONE OF ITS MEMBERS**

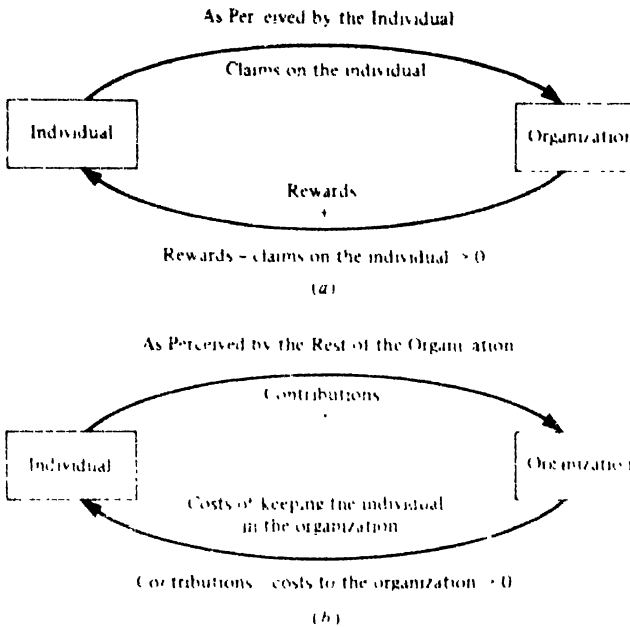


FIGURE 2-1 (a) In this relationship, the individual perceives his rewards from organizational membership as greater than the claims the organization makes on him. (b) Contributions by the organizational member are seen as greater than the costs attached to keeping him in the organization.

HARRY ABRAMS' PERCEPTION OF THE BENEFITS AND COSTS TO HIM OF HIS WORK RELATIONSHIP

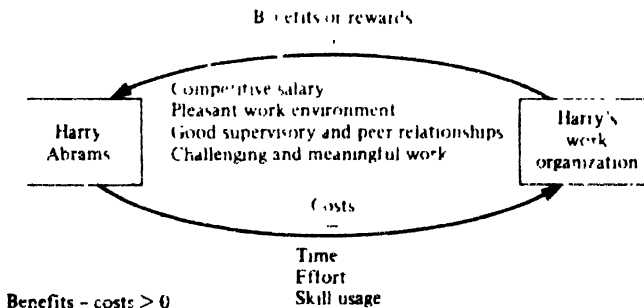


FIGURE 2-2 Harry Abrams perceives the benefits of organizational membership as exceeding the costs to him of belonging to the organization. He therefore sees the relationship as a successful one.